

Message Text

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ACTION EB-11

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TO SECSTATE WASHDC PRIORITY 1955

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E.O. 11652: NA

TAGS: EIND ETRD JA

SUBJ: JAPAN FERROUS SCRAP REQUIREMENTS JULY - DECEMBER 1974

REF: A. STATE 95278 B. TOKYO 4855

SUMMARY: MITI ESTIMATES JAPAN JULY-DEC 1974 CRUDE STEEL PRODUCTION WILL BE 61 MILLION MT (METRIC TONS). A STEEL INDUSTRY SOURCE ESTIMATE IS 4-8 MILLION MT BELOW THIS FIGURE. MITI BELIEVES IF EXPORT CONTROLS CEASE, STEEL COMPANIES WOULD PURCHASE AT LEAST 3 MILLION MT U.S. SCRAP DURING SECOND HALF 1974. END SUMMARY.

1. RE PARA 3A REFTEL A: MITI'S CY 1974 CRUDE STEEL PRODUCTION FORECAST:
JAN-JUN 58 MILLION MT
JUL-DEC 61 MILLION MT
TOTAL 119 MILLION MT

ABOVE FIGURES MAY REFLECT MITI EFFORTS TO PUSH STEEL INDUSTRY TO EQUAL FY 1973 PRODUCTION OF 120 MILLION MT IN FY 1974. A STEEL INDUSTRY ESTIMATE FOR FY 1974 (APR 1974 - MAR 1975) CRUDE STEEL PRODUCTION IS 105-114 MILLION MT. (SEE REFTEL B PARA 3). MITI UNABLE PROVIDE QUARTERLY ESTIMATES.

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WM RE PARA 3B. REFTTEL A: CURRENT JAPAN MARKET PRICE FERROUS SCRAP 48,000 YEN PER MT (\$171 AT \$1.00 - 280 YEN). MITI ESTIMATES IN ABSENCE EXPORT CONTROLS JAPAN PURCHASES U.S. SCRAP JUL-DEC 1974 WOULD BE AT LEAST 3 MILLION MT EVEN AT PRICES HIGHER THAN APR 1974 PEAK. ACCORDING MITI COKING COAL AND ENERGY SHORTAGES HAVE REDUCED PIG IRON PRODUCTION TO POINT THAT IT IMPOSSIBLE TO SHIFT FREELY FROM SCRAP TO PIG IRON PURELY ON BASIS OF COST. MITI OFFICIALS DECLINED TO ESTIMATE DEMAND FOR U.S. SCRAP AT LOWER PRICES BUT BELIEVE IF EXPORTS U.S. SCRAP FREED, STEEL MAKERS WOULD PURCHASE HEAVILY AT VIRTUALLY ANY PRICE TO BUILD UP INVENTORIES.

3. RE REFTTEL PARA 3C: ACCORDING MITI JAPAN'S TOTAL FERROUS SCRAP STOCKS AT END FEB 1974 WERE 2.273 MILLION MT, THE EQUIVALENT OF 0.6 MOS. SUPPLY (12-14 WORK DAYS) COMPARED WITH 3.234 MILLION MT OR 0.92 MOS. SUPPLY (18-20 WORK DAYS) AT END FEB 1973. AT CURRENT DEPLETION RATE INVENTORY WILL REACH 0.55 MOS. SUPPLY BY END JUNE 1974.

4. MITI ESTIMATES TOTAL SCRAP CONSUMPTION JAN-JUN 1974 WILL BE 22 MILLION MT. DOMESTIC SCRAP PRODUCTION HAS DECLINED AS RESULT INDUSTRIAL PRODUCTION CUTBACKS AND DEPRESSED CAR SALES. (FEWER USED CARS SOLD FOR SCRAPPING.)

5. MITI OFFICIALS STRESSED ABOVE ESTIMATES ROUGH AND BASED ON ASSUMPTION TIGHT CREDIT POLICIES WILL CONTINUE. THEY CONFIRMED STEEL PRICE INCREASE WILL BE GRANTED AFTER JULY UPPER HOUSE ELECTION, BUT DECLINED TO ESTIMATE EFFECT ON SCRAP REQUIREMENTS OF EITHER PRICE INCREASE OR REDUCTION IN INTEREST RATES, REITERATING THAT BOTTLE-NECK CAUSED BY COKING COAL/PIG IRON SHORTAGE NOW IS CRITICAL FACTOR AFFECTING DEMAND FOR SCRAP.
SHOESMITH

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